



21-13 Can China Blunt the Impact of New US Economic Sanctions?

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INTRODUCTION

Successive US administrations have embraced economic sanctions, especially financial sanctions, to punish bad actors in Iran, North Korea, Russia, and other hostile countries. Often, US officials leverage the economic pressure on their targets by forcing individuals and companies outside the United States to stop transacting with those on the US sanctions list or face severe penalties. European governments have instituted blocking regulations to prohibit compliance with such extraterritorial US sanctions against their nationals, but with limited success. Most companies forsake business in countries targeted by US sanctions rather than risk losing access to the US market.

China is now borrowing a page from the European anti-sanctions playbook, adopting new [Rules on Counteracting Unjustified Extraterritorial Application of Foreign Legislation and Other Measures](#) issued by the Ministry of Commerce (MOFCOM) on January 9, 2021, and then reinforcing those administrative measures with a [new Anti-Foreign Sanctions Law](#) promulgated by the National People's Congress on June 10.¹ The aim is to nullify the effect of foreign sanctions or other measures “unjustifiably applied” against Chinese nationals. The rules allow government officials to issue orders prohibiting companies from complying with them.

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¹ These rules supplement a string of actions taken by the Chinese government to deter compliance with foreign governments' extraterritorial measures deemed to harm Chinese interests. Related actions are China's Unreliable Entity regulations, issued in October 2020, and laws implemented in March 2020 prohibiting parties in China from unilateral cooperation with foreign civil and criminal investigations.

As a practical matter, the new measures allow Chinese officials to punch back at countries targeting their policies. The new law effectively puts brass knuckles in China's boxing gloves to counter all unilateral sanctions, not just extraterritorial measures, broadening the scope of potential Chinese reprisals against US sanctions restricting high technology trade and opposing abuses of human rights in Xinjiang and the suppression of political rights in Hong Kong.

The new rules essentially force companies to choose between access to the Chinese market and access to the US market, with penalties possible in either direction. Even if the Chinese never invoke their new blocking rules, their existence creates new risks for multinational firms doing business in China.

China's foreign minister Wang Yi has made clear that China intends to "resolutely oppose unlawful unilateral sanctions."² Chinese companies that incur losses because of another party's compliance with those laws can sue for damages in Chinese courts. Because the blocking rules apply to Chinese subsidiaries of foreign firms, foreign companies operating in China could be sued for complying with US sanctions or face other countermeasures.

With a largely unbounded definition of what is "unjustified," the new rules give MOFCOM extensive latitude to order Chinese firms not to comply with foreign laws that restrict normal business operations with targeted Chinese entities. The blocking rules have yet to be invoked and implementing regulations have not yet been issued, but this wide latitude suggests that they may be applied quite broadly if circumstances warrant. The blocking rules may be used to deter not only the application to Chinese nationals of US sanctions against third nations but also US primary sanctions on Chinese individuals and entities. This threat has become more apparent with the passage of the Anti-Foreign Sanctions Law; Chinese countermeasures now can be applied to block compliance with all US sanctions, including export controls, in ways that greatly complicate American attempts to expand their jurisdictional reach.

This Policy Brief compares the new Chinese rules to European attempts to blunt the extraterritorial enforcement of US sanctions. We explain why, despite similarities, the Chinese rules may be applied quite differently—and have quite different consequences—in the context of US-China bilateral tensions. Weak foreign pushback allowed unilateral sanctions to remain a relatively powerful tool of US economic statecraft for decades, but the Chinese blocking rules signal a major change to the status quo. We argue that multinational firms operating abroad are increasingly at risk of being caught firmly between US sanctions, including export controls, and Chinese countermeasures. These pressures add to growing US-China trade frictions already pushing the restructuring of global supply chains.

EXTRATERRITORIAL APPLICATION OF US SANCTIONS

The attraction of sanctions for American policymakers is their ability to punish targeted individuals and entities with seemingly few negative spillovers for US interests.³ Sanctions are a "big club" wielded by the United States on the beat as the world's policeman, leading international efforts against rogue regimes in Cuba, Iran, Libya, Syria, and Russia, among others. When allies do not support

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2 Wang Yi made these remarks to Chinese state media on April 4, 2021, as quoted in the *South China Morning Post*.

3 The appeal of sanctions to policymakers and the mechanics for enforcing them are presented in Schott (2021).

such actions, US officials often act alone, imposing unilateral sanctions against individuals and entities in the targeted countries. These so-called primary sanctions effectively prohibit US nationals from doing business with and freeze the US assets of named firms and individuals.

The effectiveness of US sanctions, even when imposed unilaterally, is enhanced by their application not only to those targeted but also to their customers, financiers, insurers, and shippers abroad. This extraterritorial application of US sanctions compounds the pain inflicted on those targeted, isolating them from international business partners and suppliers. US law requires the enforcement of so-called secondary sanctions against non-US nationals who must stop doing business with those included on the US Specially Designated Nationals and Blocked Persons List (SDN) or risk becoming themselves subject to US penalties and sanctions. Given that the SDN list now runs more than 1,500 pages and includes more than 6,000 names, foreign firms must spend significant resources self-enforcing US sanctions.

The cloud of US secondary sanctions hangs over commercial relations between non-US nationals and the targets of US primary sanctions and has provoked some countries to implement blocking statutes prohibiting firms under their jurisdictions from complying with US measures. Until now, this reaction to the extraterritorial application of US sanctions has not been a major factor in American policymaking as these blocking measures are infrequently applied.

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THE LONGSTANDING BUT FECKLESS EUROPEAN BLOCKING RULES

For decades, European governments promulgated laws and regulations to block the extraterritorial application of US secondary economic sanctions against their nationals doing business outside of US jurisdiction. The most prominent of these so-called blocking laws were issued by the United Kingdom in the 1980s (the [1980 Protection of Trading Interests Act](#)) and the [European Commission](#) in the 1990s (updated in June 2018). The new EU regulations, embedded in member state law, apply only to a handful of US laws and regulations listed in the Annex to the EU regulation.

The UK and EU blocking laws were designed to deter the application of unilateral US measures taken against the Soviet Union and later Cuba, Iran, Libya, Russia, and Syria to European firms that continued to do business with those targeted by US sanctions.⁴ Under US law, European firms may be liable for fines and other penalties—including placement on the US SDN list—if they do not comply with US sanctions that restrict commercial transactions with those on the US SDN list. The EU blocking regulation prohibits EU nationals from complying with specific US sanctions and requires those affected by the US measures to notify the European Commission within 30 days and enables EU persons to recover damages caused by the sanctions in EU courts. Moreover, the EU law bars the enforcement of judgments issued by US courts against EU nationals in EU courts.

The EU policy initially was a response to the US Cuban Liberty and Democratic Solidarity Act of 1996, more commonly known as the Helms-Burton Act.⁵ US officials waived sanctions against EU nationals under authorities provided in the statute—including the private right of action in which US

4 Interestingly, recent US sanctions against Russia under the Global Magnitsky program are not covered by the EU blocking regulation.

5 EU officials initially challenged the Helms-Burton Act under dispute settlement procedures of the World Trade Organization but subsequently suspended the case when US sanctions were waived.

claimants could sue foreigners who traffic in confiscated Cuban property (Title III)—until the Trump administration allowed the [waiver](#) to expire on May 2, 2019. Since then, however, US officials have not taken action against EU holders of Cuban property.

European laws do not substantially change the tradeoffs that lead European firms to voluntarily comply with US sanctions barring transactions with those on the SDN list. EU individuals and companies may sue to recover costs they would incur by defying sanctions. They may also request compensation from the relevant member state for unrecovered losses. EU authorities, however, rarely demand notifications by affected companies and seem reluctant to subsidize affected firms for the cost of noncompliance. Moreover, enforcement is the responsibility of each member state; most have not passed laws to allow enforcement against violations of the EU blocking regulation. Thus, the EU blocking laws have done little to change the behavior of European firms. Rather than risk exile from US markets and potentially face penalties for noncompliance, EU firms voluntarily forego business with those targeted by the United States.

Currently, [one case](#) involving the EU blocking regulation is pending. The suit filed by the German branch of Bank Melli of Iran, an entity subject to US sanctions, charges that Telekom Deutschland infringed the blocking rule by terminating its contract with the Iranian bank to comply with US sanctions. The German courts referred the matter to the European Court of Justice (ECJ) in March 2020. In May 2021, Advocate General Gerard Hogan issued his [opinion](#) on the case, which is not binding on the ECJ, arguing that termination of the contract ran counter to Article 5 of the EU blocking regulation.

The ECJ is expected to rule on the matter in late 2021 but is unlikely to resolve or clarify the situation for EU nationals caught between complying with the EU or US policies. Hogan concluded that “the EU blocking statute is a very blunt instrument, designed as it is to sterilise the intrusive extraterritorial effects of US sanctions within the Union. This sterilisation method will inevitably bring casualties in its wake...these are matters which the EU legislature may well wish to ponder and consider.” In essence, Hogan seems to be saying that the EU regulation is unworkable. If the ECJ agrees with him, the European Union will have to rework the regulation or align its sanctions closely with US policy to deter an onslaught of litigation against EU nationals complying with US sanctions.

CHINA'S NEW BLOCKING RULES: EUROPEAN MEASURES WITH CHINESE CHARACTERISTICS

In many respects, the Chinese have emulated the EU regulations by creating a threat to firms that seek to comply with US sanctions (see comparison in table 1). Like the EU procedure, affected Chinese nationals (individuals and firms) are required to notify the designated government agency within 30 days of foreign measures prohibiting or restricting their normal commercial relations with other countries (Article 5 of China's blocking rules; see figure 1). Both EU and Chinese blocking measures provide a means for affected parties to claim compensation from parties that harm them by complying with foreign measures. Each also provides for civil penalties on those who comply with a blocked measure and creates a mechanism for case-by-case consideration of compliance.

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Table 1
Comparison of sanctions blocking authority: European Union versus China

	European Union	China
Regulation	Council Regulation (EC) No. 2271/96 protecting against the effects of the extraterritorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom. European Parliament, November 22, 1996. Annex updated June 6, 2018. Known as “blocking regulation.”	Rules on Counteracting Unjustified Extraterritorial Application of Foreign Legislation and Other Measures. China’s Ministry of Commerce (MOFCOM), January 9, 2021. Known as “blocking rules.” Reinforced by Anti-Foreign Sanctions Law passed by National People’s Congress on June 10, 2021.
Motivation	Block the imposition of US secondary sanctions on EU entities dealing with Cuba, Iran et al.	Nullify the effect of US or other sanctions “unjustifiably applied” on an extraterritorial basis.
Purpose	Block the extraterritorial application of US laws and regulations banning or restricting EU nationals, EU residents, and companies incorporated in a member state from transacting with third countries or regions targeted by US sanctions.	Block the extraterritorial application of laws and measures imposed by foreign countries that ban/restrict Chinese operators (citizens, legal persons, and other organizations) from transacting with third countries or regions.
Coverage	Applies only to US laws and regulations set out in the annex.	Applies to foreign laws/measures whose extraterritorial application “unjustifiably prohibits or restricts” Chinese nationals from normal business with third countries.
Scope	Prohibits compliance directly or indirectly with US laws listed in annex. Only covers persons engaged in “international trade and/or movement of capital and related commercial activities between the EU and third countries.”	Broad definition of what is unjustified affords extensive latitude by MOFCOM to issue “prohibition orders” blocking Chinese compliance with foreign laws/regulations.
Exemptions	Companies may ask European Commission for an exemption if they can demonstrate compliance would seriously damage their or EU interests.	Blocking rules do not apply if foreign measures are consistent with “international agreements to which China is a party.” Chinese nationals also may apply to MOFCOM for a specific exemption.
Notification	Persons whose interests are directly or indirectly affected by listed sanctions must inform the European Commission within 30 days.	Persons whose interests are adversely affected by extraterritorial application of foreign law/measures must inform MOFCOM within 30 days.
Legal remedies	Judgments issued by US courts related to listed sanctions are not enforceable in EU courts. Enables EU persons to recover damages caused by application of listed sanctions. Recovery of costs may take form of seizure and sale of assets.	Affected parties may file suit in domestic court against the party benefiting from compliance with the blocked foreign law. The court may require and enforce compensation for losses.
Government compensation	Injured party may request compensation from relevant member state government for unrecovered losses.	Relevant government departments may provide necessary support to alleviate impact of losses from noncompliance.

Note: The European regulation has broad applicability as part of the domestic law of each member state.

Sources: European Parliamentary Research Service (2018); WilmerHale (2021).

Figure 1

Flow chart of China's sanctions blocking rules

Source: Rules on Counteracting Unjustified Extraterritorial Application of Foreign Legislation and Other Measures, Order No. 1 of the Ministry of Commerce (MOFCOM) of the People's Republic of China, January 9, 2021.

While similar in many ways to European blocking laws, the Chinese rules differ from the EU model in important ways. First, Chinese rules are not limited, as are the EU rules, to countering specific US actions. The new Chinese blocking rules cover in principle any foreign statute applied extraterritorially against Chinese nationals that unjustifiably prohibits or restricts normal business with a third-country national (Article 2). For example, the blocking rules could be applied when US firms terminate commercial relations with Chinese nationals that are doing business with those on the US SDN list; or when US or other foreign firms stop exporting to China products subject to their own export

controls or reexport controls required by the United States. Foreign firms with investments in China, and subject to the jurisdiction of Chinese courts, would be the most likely to be hit with compensation claims or other penalties.

An important feature of the blocking rules, however, is that they do not apply to sanctions that are authorized by the United Nations Security Council (UNSC) or international agreements to which China is a party. Thus, Chinese firms are not protected when doing business with North Korea if their actions violate UNSC resolutions. About 30 percent of Chinese names on the US SDN list involve sanctions against North Korea (table 2).

Table 2
Chinese individuals and entities on the US Specially Designated Nationals List, as of June 16, 2021

Sanctions program	Program tag	Individuals	Entities	Total
Hong Kong Executive Order 13936	HK-EO13936	23	0	23
Global Magnitsky	GLOMAG	9	3	12
North Korea Sanctions Regulations, 31 C.F.R. part 510; Executive Order 13551	DPRK	39	36	75
Foreign Narcotics Kingpin Sanctions Regulations, 31 C.F.R. part 598/Global Terrorism Sanctions Regulations, 31 C.F.R. part 594	SDNTK/SDGT	18	16	34
Weapons of Mass Destruction Proliferators Sanctions Regulations, 31 C.F.R. part 544	NPWMD	16	40	56
Iran Executive Order 13846	IRAN-EO13846	8	18	26
Iran Freedom and Counter-Proliferation Act of 2012 (PL 112-239)	IFCA	2	10	12
Other		3	11	14
Total		118	134	252

Source: Office of Foreign Assets Control, US Department of the Treasury.

Wording of the Chinese blocking rules is so elastic, however, that almost any other foreign sanction affecting the economic interests of Chinese firms could be branded “unjustified.” A newly established “Working Mechanism” comprising government officials headed by MOFCOM and including the National Development and Reform Commission will determine whether the foreign

measures are “unjustified” based on whether they violate international law; impact Chinese “sovereignty, security, and development interests” or the rights and interests of Chinese nationals; or involve other undefined factors (Article 6). From there, the Chinese government can issue a “prohibition order” barring compliance with the foreign measures (Article 7).

Secondly, the Chinese statute is being applied in the context of the Chinese legal and economic system. Although Article 13 of the blocking rules simply states that those who do not notify or comply with government blocking orders face possible fines, the directive is made more compelling by the fact that few Chinese firms want to get on the bad side of their government regulators. Unlike their European counterparts, affected Chinese firms are likely to provide the mandated notifications.

Lastly, the business case for voluntary compliance with US sanctions is much weaker for Chinese firms than it is for EU firms. While some domestic Chinese firms earn a significant share of revenue from sales to the United States, the domestic market is generally relatively too important for them to risk by flaunting domestic blocking rules, unlike the situation in Europe. And by complying, they will get the protection of Chinese courts against their competitors and possibly compensation pursuant to Article 9 of the blocking rules. Furthermore, if an affected Chinese firm “suffers significant losses resulting from non-compliance” with foreign sanctions, it may find the Chinese government more willing to provide subsidies to develop domestic supply alternatives (Article 11) than European governments, which have been reluctant to compensate losses incurred by their own firms hurt by US sanctions.

The cost of violating the new blocking rules may be quite consequential for some firms operating in China.

WILL FOREIGN AFFILIATES IN CHINA BE PENALIZED FOR COMPLYING WITH US SANCTIONS?

The new blocking rules add to the uncertain operating environment faced by Chinese affiliates of multinational firms. Foreign-invested enterprises are registered as Chinese legal persons and, thus, are clearly covered by the new rules, placing them between a rock and a hard place when confronted by the extraterritorial application of US law. If they comply with the Chinese statute and refuse to enforce US sanctions, they risk losing access to the US market while facing US penalties and fines. If they comply with US sanctions and refuse to deal with a targeted Chinese company, they risk losing access to the Chinese domestic market.

The cost of violating the new blocking rules may be quite consequential for some firms operating in China. US affiliates on average direct 83 percent of their sales to the local market.⁶ These sales may be jeopardized by noncompliance as they risk Chinese fines and penalties and the prospect of being sued in Chinese courts for damages. Indeed, since damages may be recovered through asset seizures, failure to comply with a Chinese blocking rule may end in expropriation of the foreign firm’s Chinese assets.

Importantly, China’s new rules could be used to punish foreign companies operating in China for complying with US sanctions against Chinese primary targets. The US Treasury currently applies primary sanctions against 118 Chinese

⁶ Information on local sales of goods and services by US foreign affiliates operating in China is from the US Bureau of Economic Analysis. See Lovely (2019).

individuals and 134 Chinese entities on the SDN list (see table 2). Most of those designated are linked to US programs against North Korea and Iran seeking to block the proliferation of weapons of mass destruction. More recently, US sanctions have targeted 23 Chinese individuals for their complicity in suppressing prodemocracy forces in Hong Kong. Although key aspects of the Chinese rules still need to be clarified, the law seems to permit MOFCOM to issue orders blocking Chinese firms, including subsidiaries of foreign multinationals, from complying with US sanctions on Chinese individuals and entities.

WILL THE BLOCKING RULES BE APPLIED TO EXPORT CONTROLS?

How China will apply its blocking rules is yet unknown, but surely their use will be affected by the overall temperature of US-China relations. The rules allow significant room for bureaucratic and judicial discretion in application. Indeed, as the rules apply to “any foreign statute applied extraterritorially against Chinese nationals that unjustifiably prohibits or restricts normal business with a third country national,” it is possible that the rules will be used to complicate US expansion of the jurisdictional reach of its export controls.

Since 2017, dozens of Chinese companies have been added to the Department of Commerce’s Entity List, which is compiled and maintained by the Bureau of Industry and Security (BIS).⁷ Companies have been added to the BIS list for known or suspected links to Chinese military and security forces, and to further both national security and human rights objectives. The list includes companies central to Chinese government development plans, including Huawei and its affiliates, the Semiconductor Manufacturing International Corporation (SMIC), and other technology-related firms.

Under US law, Commerce’s Entity List is the official catalogue of foreign companies for which it is illegal for Americans to provide a good or service without a government-designated license.⁸ The United States also seeks to coerce non-US firms to curtail transactions with listed companies. Through the foreign direct product rule (FDPR), the United States can restrict access to certain American goods and services by those foreign companies that do not voluntarily comply with American restrictions. The United States invoked the FDPR in 2020 to restrict access of foreign chipmakers to US-made semiconductor manufacturing equipment and US-software-based design tools if they continue to sell to China’s Huawei.⁹

The FDPR promotes the extraterritorial application of US export controls. It presents US technology users with a choice between continued access to US goods and services or continued sales to certain major Chinese customers. Depending on how aggressively the Chinese choose to implement their new blocking rules, the scales will be tipped away from US technology. It is not difficult to imagine a foreign technology company operating in China caught between secondary US sanctions and a Chinese order blocking compliance with

It is not difficult to imagine a foreign technology company operating in China caught between secondary US sanctions and a Chinese order blocking compliance with those restrictions.

7 A complete list of export controls, forced labor, and human rights actions taken by the US against China that affect international trade is provided in Bown (2021, appendix table 4).

8 For details on the Entity List and US expansion of export controls, see Bown (2020).

9 For additional details on US export controls on the semiconductors industry, see Bown (2021).

those restrictions.¹⁰ Rather than risk running afoul of either country, international suppliers may eliminate US technology from their production processes and supply chains. Even though China has made no moves in this direction—for example, Taiwan Semiconductor Manufacturing Company has not been cited despite its compliance with US export restrictions—the possibility of such a situation promotes technology decoupling.

THE ESCALATING STAKES FOR INTERNATIONAL TRADE AND INVESTMENT

While all firms registered in China are subject to the blocking rules, including foreign affiliates, MOFCOM has sent ambiguous signals about its potential application to foreign firms selling into the Chinese market.¹¹ It is unclear how such an interpretation could be sustained, but the lack of clarity raises uncertainty for firms serving Chinese customers and suggests that China wants this tool but has not decided yet how aggressively to use it.

Given the uncertainties built into the new statute, the cost of refusing to comply with China's blocking rules is largely an unknown for international business enterprises. Would noncompliance result in complete exclusion from the Chinese domestic market or something less costly? What level of penalties and fines are to be levied and how aggressively will recovery be pursued in local courts? Foreign firms are also mindful of the arrests and detainments surrounding US efforts to prosecute Huawei officials for sanctions violations. Such behavior elevates decisions about legal compliance well beyond monetary costs.

The stage is set for heightened collateral damage, then, as the United States follows a path leading to more sanctions against Chinese officials, nationals, and firms (industrial and financial), some of them mandated by US laws regarding forced labor in the Xinjiang Uyghur Autonomous Region (XUAR) and adoption of a new national security law in Hong Kong. The US Customs and Border Protection (CBP) already has issued numerous [Withhold Release Orders](#) (WRO) blocking US entry of merchandise imports made by specific Chinese firms with forced labor in the XUAR.¹² The most recent WRO issued on January 13, 2021 cast a wider net over all cotton, tomatoes, and downstream products from the entire XUAR. New US restrictions have been countered by a wide-ranging Chinese consumer boycott against foreign firms that criticize Chinese policies targeted by US (and European) sanctions. In addition, the Uyghur Forced Labor Prevention Act, which is wending its way through the US Congress with strong bipartisan support, seems to be drawing on provisions requiring the implementation of financial sanctions comparable to those in the 2020 Hong Kong Autonomy Act (HKAA).

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10 Parties who could face civil claims for damages are not expressly limited by the Chinese statute to Chinese parties or even parties located in China. As noted in a client alert by the law firm Morrison Foerster, a Chinese court might enforce a judgment against the overseas defendant's subsidiary or assets in China. See Morrison Foerster, "[New Blocking Rules by China's MOFCOM Create New Risks for Chinese and Foreign Companies](#)," January 20, 2021.

11 On January 15, 2021, MOFCOM issued clarifications on the statute and posted these to its website. Henry Gao, an international law professor at Singapore Management University, read the clarification as limiting the statute to Chinese entities including foreign-owned firms registered in China, except for a limited expansion to non-Chinese entities under the 2nd paragraph of Article 9. After Professor Gao tweeted this interpretation of the MOFCOM clarification, the clarification was deleted from the MOFCOM website, so it is unclear whether it is still valid as internal guidance or has been retracted by MOFCOM.

12 The WROs are issued under the authority of section 307 of the Tariff Act of 1930, as amended by the 2015 Trade Facilitation and Trade Enforcement Act.

New US export controls also appear to be on the horizon. In April 2021, the Biden administration finalized the [addition of seven Chinese parties to Commerce's Entity List](#) because they procured US-origin items for use in building supercomputers supporting China's military modernization. This is the first time the new administration has added Chinese parties to the Entity List. In response to these additions to the Entity List, China's Ministry of Foreign Affairs spokesperson stated that China will take "necessary countermeasures" to safeguard Chinese companies' legitimate rights and interests but did not specify what actions may be taken.¹³ Multinational firms will find no playbook from the past to follow in navigating the potential fallout from new US actions.

Chinese officials have reacted strongly to foreign criticism of Beijing's actions in Hong Kong and Xinjiang. Their willingness to push back in anger was on full display in late March 2021, when the European Union joined the United States, Britain, and Canada in imposing sanctions on Chinese officials linked to human rights abuses in Xinjiang. China reacted quickly, sanctioning European lawmakers, diplomats, institutes, and families, and banning their businesses from trading with China. These reactions have likely doomed the EU-China Comprehensive Agreement on Investment (CAI), which still needs approval from the European Parliament and the Council of the European Union.¹⁴ That Beijing was willing to toss off an agreement that took seven years to negotiate for seemingly meaningless retaliation shows the extent to which they will defend their actions. When the new Chinese blocking rules fully kick in, foreign firms doing business in China could be caught squarely in the middle of such tensions. Will they isolate their Chinese affiliates from the rest of their operations, or choose one market over the other? Whatever the choices made by multinational firms, pressure builds for further disintegration of the economic links between China and the West.

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¹³ Spokesperson comments reported by Paul Amberg, Alexandre (Alex) Lamy, and Yu (Iris) Zhang in "BIS Adds Seven Chinese Parties Involved in Supercomputing to the Entity List," A Blog by Baker McKenzie, April 19, 2021.

¹⁴ On May 20, 2021, the European Parliament approved a resolution to freeze ratification of the CAI in response to Chinese sanctions on European human rights advocates.



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